

Statement On Agriculture To The World Economic Forum

Davos, 5th of February, 1991

AGRICULTURE IS AMONG the most complex issues in which free market forces collide with deep social and environmental concerns.

During the recent GATT negotiations, it was generally assumed that large mechanised modern farms produce more food, more cheaply, for the benefit of the economy and of people throughout the world.

What is more, creating large 'state of the art' farms liberates men and women from the land and they become free to participate in the more dynamic sectors of contemporary industry and, therefore, the reasoning continues, to contribute to the growth of GNP and public prosperity.

At first sight, this seems obvious. But I would like to analyse the proposition. It is clear that initially in such farms, the direct operating costs per unit of output will be much lower. But what of the indirect costs? When people leave the land, they gravitate to the cities where they seek work but if there are insufficient jobs and infrastructure - such as lodgings, schools, hospitals, etc ... -, then there will be increased unemployment with the attendant cost of welfare as well as substantial expenditure on infrastructure. These indirect costs also must be taken into account.

There is yet another price. Migration from the countryside has contributed throughout the world to the destabilisation of rural society and to the growth of vast urban concentrations. They regroup large numbers of deracinated individuals whose families have been atomized, whose cultural traditions have been extinguished and who have been reduced to dependency on welfare from the State. They are the alienated underclass. From the first world to the third, urban groupings have become tragic, morbid intumescences. The cost of contributing to such social breakdown also must be taken into account.

And please consider what happens to a community in which elections are swayed by the vote of such an alienated underclass. How can people dependent from welfare remain independent from the State? How can those whose principal concern is survival now, worry about medium term environmental degradation? How can they be expected to vote for responsible government willing to take hard decisions today for the betterment of the longer term? How can such a society resist the bribes of the demagogue?

Of course, it would be absurd to reject technology, free markets and competition. Indeed, I am convinced that despite some conflict, private industry and environmentalists are condemned to be allies because, with current levels of population, prosperity is necessary to heal the environmental and social wounds of the past as well as to plan for the future. And prosperity can best be produced by a free and competitive economy. But we must attempt to understand the consequences of our actions. We cannot be guided exclusively by arithmetic which is superficially correct but fundamentally wrong. Vigorous competition within industry and commerce improves industrial performance and is the source of innovation. It causes some declining companies to suffer but others to emerge. However, unlike the transformation of agriculture, this does not alter the balance and character of our society.

So what of the Common Agricultural Policy? Undoubtedly, it is flawed. Not because it is expensive. It is at best adequate and represents only 0.7 per cent of the GDP. Nor because it includes the payment of subsidies. The indirect costs of destabilising rural communities with the consequent urban degeneration and need for welfare are also subsidies and of a dimensionally greater order.

The CAP is flawed because through its support policy, it is designed to encourage maximum as opposed to optimum production. It makes quantity of production all important. To maximise production, you assemble larger farms, and reduce crop diversity to a minimum - monocultures are easier to mechanise. You intensify production using greater amounts of pesticides, chemical fertilisers, hormones and other devices and you create surpluses, the famous lakes and mountains, the storage and disposal of which, including export subsidies, account for about half of the European Community's agricultural budget and which when dumped on other nations do terrible damage to their rural and social traditions.

So the CAP, as presently structured, has numerous malignant side effects including: rural depopulation, urban bloating, destruction of diversity in food production, unnatural farming practices with consequent contaminated foods, degradation of the soil and pollution of ground water.

It is urgent that the objectives of the CAP be redefined radically so that its purpose becomes to:

- 1) at least maintain a stable rural population employed within a mix of farms of different sizes.
- 2) give special consideration to working family farms.
- 3) encourage a balanced level of production which, in turn, will reduce surpluses and their great costs, by shifting from intensive to extensive farming. This means that quantity alone is not a satisfactory measurement. Artificial processes used to maximise production must be replaced by environmentally sound methods. There are ample funds available to encourage this change because the reduction of surpluses which will result from less intensive farming will free up to 50% of the E.C. agricultural budget and these funds can be redeployed in a positive manner.
- 4) ensure that bad food safety standards do not chase out the good. We should not install in the name of harmonisation the lowest common denominator of all standards. It would be wrong that the GATT proposals should lead to lower standards which substantially are defined by Codex alimentarius of the Food and Agricultural Organisation. These standards seem structured to accommodate increased intensification of farming with its superficial goals and constantly rising use of hazardous processes.
- 5) promote free markets but within these parameters. Otherwise, the free market would be basing itself on false accounting - two dimensional instead of three. It would be including the obvious superficial costs but omitting the more important expenses.

Fundamental change of the CAP is essential. So is the rejection of the current GATT proposals on agriculture. As a European, I am devoted to maintaining our own traditions and environment. It surprises me that Japan would even consider destroying its rural community and destabilising its society, so as to placate those who would use GATT as a method of exacting cultural change. The Japanese cannot ignore the urban squalor that has poisoned the heart of such nations.

But when I look to the third world, I shudder. The proposals for GATT would result in prohibiting nations from limiting the volume of import of Agricultural products. Local agriculture and fisheries would be devastated by 'cheap' imports from industrialised countries but which, in fact, are massively and indirectly subsidised; societies in which small and medium sized enterprises still predominate would be washed away as by a catastrophic flood; whole populations would be uprooted from their traditional communities and chased into urban slums.

Fortunately, there is a common interest linking farmers, consumers, those concerned with the nation's health and environmentalists. When, ultimately, they are mobilised, they will represent a powerful political force and will be able to ensure that the present GATT

proposals concerning agriculture are permanently rejected and that the CAP be radically reformed.